

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Downtown Development Authority of the Charter Township of Van Buren</u>	County Wayne
Audit Date December 31, 2004	Opinion Date April 7, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 S. Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104-1923
Accountant Signature 			

**Downtown Development Authority of the
Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2004**

Downtown Development Authority of the Charter Township of Van Buren

Contents

Report Letter	I
 Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets (Deficit)	2
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Notes to Financial Statements	4-8
 Required Supplemental Information	
Budgetary Comparison Schedule - Governmental Fund	9



Plante & Moran, PLLC

Suite 200

350 S. Main St.

Ann Arbor, MI 48104

Tel: 734.665.9494

Fax: 734.665.0664

plantemoran.com

Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren
Wayne County, Michigan

We have audited the accompanying basic financial statements of the Downtown Development Authority of the Charter Township of Van Buren (a component unit of the Charter Township of Van Buren) as of December 31, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Downtown Development Authority of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Development Authority of the Charter Township of Van Buren as of December 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

April 7, 2005

A member of



A worldwide association of independent accounting firms

Downtown Development Authority of the Charter Township of Van Buren

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) December 31, 2004

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets (Deficit)
Assets			
Cash and cash equivalents (Note 4)	\$ 3,553,382	\$ -	\$ 3,553,382
Restricted assets (Note 8)	675,000	-	675,000
Capital assets (Note 5):			
Capital assets not being depreciated	-	516,152	516,152
Capital assets being depreciated - Net	-	1,149,545	1,149,545
Total assets	<u>\$ 4,228,382</u>	1,665,697	5,894,079
Liabilities			
Accounts payable	\$ 6,151	-	6,151
Accrued and other liabilities	-	95,865	95,865
Due to other governmental units	35,723	-	35,723
Deferred revenue (Note 6)	1,239,501	-	1,239,501
Noncurrent liabilities (Note 7):			
Due within one year	-	155,000	155,000
Due in more than one year	-	4,410,000	4,410,000
Total liabilities	1,281,375	<u>4,660,865</u>	<u>5,942,240</u>
Fund Balance/Net Assets (Deficit)			
Invested in capital assets	-	1,665,697	1,665,697
Reserved/Restricted for debt service	500,000	-	500,000
Reserved/Restricted for working capital reserve	175,000	-	175,000
Unreserved/Unrestricted	<u>2,272,007</u>	<u>(4,660,865)</u>	<u>(2,388,858)</u>
Total fund balance/net assets (deficit)	<u>2,947,007</u>	<u>\$ (2,995,168)</u>	<u>\$ (48,161)</u>
Total liabilities and fund balance	<u>\$ 4,228,382</u>		

Downtown Development Authority of the Charter Township of Van Buren

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2004

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 1,611,247	\$ -	\$ 1,611,247
Interest income	<u>38,588</u>	<u>-</u>	<u>38,588</u>
Total revenue	1,649,835	-	1,649,835
Expenditures			
Administrative	75,137	-	75,137
Capital outlay and other	580,113	(516,152)	63,961
Depreciation	-	76,245	76,245
Debt service:			
Debt principal	125,000	(125,000)	-
Debt interest	<u>393,960</u>	<u>(2,625)</u>	<u>391,335</u>
Total expenditures	<u>1,174,210</u>	<u>(567,532)</u>	<u>606,678</u>
Excess of Revenue Over Expenditures/ Change in Net Assets	475,625	567,532	1,043,157
Fund Balance/Net Assets (Deficit) -			
Beginning of year	<u>2,471,382</u>	<u>(3,562,700)</u>	<u>(1,091,318)</u>
Fund Balance/Net Assets (Deficit) -			
End of year	<u><u>\$ 2,947,007</u></u>	<u><u>\$ (2,995,168)</u></u>	<u><u>\$ (48,161)</u></u>

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2004**

Note 1 - Significant Accounting Policies

The Downtown Development Authority (the "Authority") of the Charter Township of Van Buren (the "Township") is organized pursuant to the State of Michigan Public Act No. 197 of 1975. The primary purpose of the Authority is to encourage economic activity in the Township. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2004.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 1995 Downtown Development Authority Bonds, which will be repaid through captured property taxes in future periods. A significant portion of the Authority's activities in previous years related to investments in infrastructure that are the property of and are reported as an asset in the basic financial statements of the Charter Township of Van Buren, Michigan rather than in the Authority's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2004

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance of the Authority's General Fund differ from the statement of net assets (deficit) and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets (deficit) and statement of activities versus the current focus of the General Fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance.

The statement of net assets (deficit) includes the capital assets and the long-term debt along with the accrued interest expense. The statement of activities includes the reclassification of the capital outlay to capital asset additions, depreciation expense, and the reclassification of the debt principal payments from the expense to offsetting the liability.

Note 3 - Budget Information

The annual budget is prepared by the Authority's board and adopted by the Township board; subsequent amendments are approved by the Authority's board and approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budget as adopted by the Authority's board is included in the required supplemental information.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2004

Note 4 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's deposits are included on the balance sheet under the following classifications:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,578,819	\$ 974,563	\$ 3,553,382
Restricted assets (Note 8)	<u>675,000</u>	<u>-</u>	<u>675,000</u>
Total	<u>\$ 3,253,819</u>	<u>\$ 974,563</u>	<u>\$ 4,228,382</u>

The above amounts are all classified by Governmental Accounting Standards Board Statement No. 3 as investments in securities, mutual funds, and similar vehicles.

Deposits

The bank balance of the Authority's deposits is \$3,253,819, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates the financial institution with which it deposits Authority funds and assesses the level of risk of that institution; only those institutions with an acceptable estimated risk level are used as depositories.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2004

Note 4 - Cash and Cash Equivalents (Continued)

Investments

The Authority's investments during the year consisted solely of money market funds. There was \$974,563 invested in such funds at December 31, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the Authority; however, the money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Authority believes that the investments in the funds comply with the investment authority noted above.

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Capital assets not being depreciated:				
Construction in progress - Fire stations	\$ -	\$ 10,330	\$ -	\$ 10,330
Land	-	505,822	-	505,822
Total capital assets not being depreciated	-	516,152	-	516,152
Capital assets being depreciated - Land improvements	1,384,497	-	-	1,384,497
Subtotal	1,384,497	516,152	-	1,900,649
Accumulated depreciation - Land improvements	158,707	76,245	-	234,952
Net capital assets	<u>\$ 1,225,790</u>	<u>\$ 439,907</u>	<u>\$ -</u>	<u>\$ 1,665,697</u>

Note 6 - Deferred Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. As of December 31, 2004, the Authority received \$1,239,501 of property taxes levied for 2005, which will be recognized during the year ending December 31, 2005.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt

The Authority's debt consists of a 1995 revenue bond, which was issued for construction of the Township Hall, bearing interest at 8.4 percent and maturing through 2016.

The annual requirements to service the outstanding debt are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 155,000	\$ 383,460	\$ 538,460
2006	185,000	370,440	555,440
2007	215,000	354,900	569,900
2008	250,000	336,840	586,840
2009	290,000	315,840	605,840
2010-2014	2,165,000	1,136,520	3,301,520
2015-2016	<u>1,305,000</u>	<u>168,420</u>	<u>1,473,420</u>
Total	<u>\$ 4,565,000</u>	<u>\$ 3,066,420</u>	<u>\$ 7,631,420</u>

Note 8 - Restricted Assets

Restricted assets as of December 31, 2004 consist of cash and cash equivalents totaling \$675,000. These assets are restricted for the purposes of the 1995 revenue bond debt, of which \$500,000 is for debt service reserves and \$175,000 is for working capital reserves. Fund balance/net assets have been reserved/restricted for \$675,000.

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.

Required Supplemental Information

Downtown Development Authority of the Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule Governmental Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,500,000	\$ 1,600,000	\$ 1,611,247	\$ 11,247
Interest income	25,000	25,000	38,588	13,588
Total revenue	1,525,000	1,625,000	1,649,835	24,835
Expenditures				
Administrative	97,413	80,413	75,137	5,276
Capital outlay and other	305,500	571,500	580,113	(8,613)
Debt service:				
Debt principal	125,000	125,000	125,000	-
Debt interest	393,960	393,960	393,960	-
Total expenditure	921,873	1,170,873	1,174,210	(3,337)
Excess of Revenue Over Expenditures/ Change in Net Assets	603,127	454,127	475,625	21,498
Fund Balance - Beginning of year	2,397,250	2,471,382	2,471,382	-
Fund Balance - End of year	<u>\$ 3,000,377</u>	<u>\$ 2,925,509</u>	<u>\$ 2,947,007</u>	<u>\$ 21,498</u>